

The American Observer

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe

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Controversy Arises Over Canadian Pact

Administration Defends Program as Attacks From Affected Interests Are Made

FOREIGN TRADE BOOST SEEN

Arrangement Marks Victory for Hull's Policy of Lowering Tariffs by Reciprocal Agreements

For more than a year Secretary of State Cordell Hull has been working on his policy of making trade agreements with foreign nations. The purpose of these agreements is to lower tariff walls and thus encourage commerce among the nations. These agreements, or treaties, which the State Department is negotiating are called reciprocity treaties, because they are arranged on the basis of give and take. The United States agrees to lower its tariffs on certain kinds of foreign goods and, in return, the foreign country with which the agreement is being made agrees to lower its restrictions on certain American commodities.

Until the last month this policy of the American government did not attract much attention. Six treaties had been negotiated—with Cuba, Haiti, Brazil, Sweden, Belgium, and Colombia, but our trade was not very heavy with any one of these nations. Then last month came the announcement that an agreement had been signed with Canada. That was a different matter, because trade between the United States and our northern neighbor is heavy. Canada is the second best customer for American exports, and that country ranks second among the nations selling goods to the United States. The signing of this treaty, therefore, was big news, and it set the American people to figuring on the probable effects on American trade and on particular industries.

Foreign Trade Needed

There is very general feeling that the government of the United States must do something to restore foreign trade. We have always had a large export trade. Many of our industries depend largely upon foreigners for the marketing of their products. The cotton farmers, for example, have been selling only a little over half of their products to Americans. The rest has gone to foreigners. Without the foreign demand, the cotton-growing industry would collapse. The foreign demand has fallen off badly during the depression and that is, in large part, responsible for the serious plight of the southern cotton growers. Wheat growers have sold about one-fourth of their crop to foreigners. When the foreign demand did not keep up, the price of wheat fell to the lowest point ever recorded in American history. Wheat farmers were faced by utter ruin until the government stepped in, paid them money directly, and helped them to cut down their acreage and thus to raise the price through curtailed production. Automobile manufacturers have suffered because of the falling away of foreign demand for American cars. The machinery industry has also suffered, and so have many others. The lack of foreign demand for American goods is responsible for no small part of the unemployment which we now find in this country.

Before the 1929 crash we were selling foreigners much more than we were buying from them. We have been doing the same

(Concluded on page 8, column 1)



ALONG THE BUND IN SHANGHAI

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"Seein' Things"

I know a man who is obsessed with the idea that big businessmen are all shrewd plotters, planning for their own interests at the expense of the public. When anyone speaks in this man's presence about the complex causes of the depression, he smiles in a superior way and then asks if we don't know that the big interests intentionally brought on the depression in order that property values might fall so that they might buy everything up cheaply; so that the little fellows might get squeezed out, leaving the big ones in more complete control. You can bring forth all the facts at your command; you may argue until you are black in the face, but you can't shake this fellow's conviction that all our troubles flow from the fact that the big interests are wicked, corrupt, infinitely resourceful, and bent upon retaining power at the expense of the rest of us. This individual isn't insane, but he is a borderline case. He has a fixed idea which assumes a disproportionate place in his thinking and which keeps him from seeing reality in balanced perspective.

But this young radical is not alone in his lack of balance. A good many conservatives, some of them well-to-do and powerful figures, are similarly afflicted. A very well-known publisher, whose newspapers are read every day by millions of people, is just as completely the victim of illusions, only his pet hobby is that all of our troubles flow, not from wicked business interests, but from scheming "reds" or radicals. Whenever anyone advocates the mildest of reforms, this publisher shouts "red plot," and tries to trace the theories which are advanced to Moscow. I know many people who, whenever they read of a strike, shake their heads dubiously and talk of "communist activities." They always think in terms of "plots" and "schemes," always of personal wickedness of a radical group rather than in terms of large, complex, and largely impersonal social and economic movements and forces. I know men and women who think that the Catholics have guns stored in all the church basements in preparation for a St. Bartholomew's Day. I know pacifists who think all wars are brought about solely by munition makers, and militarists who think that all who oppose war are engaged in a "pacifist plot" to turn the country over to foreign invaders or communists.

Now it is hard to call attention to the dangers which come from these fixed and erroneous illusions without running off at the other end of the bridge. It is a fact that there is an alarming amount of propaganda in the press, and a shameful amount of selfishness among those who influence public policies. Each person should be alert and courageous in his attempt to discover the truth and to expose evil and stupidity. But good work can be done only by those who are reasonable and poised, subjecting their suspicions to open and informed inquiry, and acting in the light of reasonable conclusions. We become powerful through honest and competent investigation. We lose track of reality when we fall into the habit of "seein' things."—W. E. M.

Japanese Prepare to Control North China

Part Is Separated From Nanking, but Plan for Five Provinces Not Carried Out

WESTERN POWERS ANXIOUS

United States and Britain Have Economic Stake in Region Set Off as Japanese Preserve

All last week, the eyes of the world were focused on the Far East where, it was expected, events of historic importance would unfold themselves. Japan was reported to be ready to take a step which has been anticipated since she invaded the Chinese province of Manchuria in 1931 and a few months later set it up as an "independent" nation, called Manchoukuo. Everyone knew that Japan would not stop with Manchuria and that she would plunge deeper into Chinese territory. As a matter of fact, she did increase the size of Manchoukuo in 1933 by annexing Jehol to the former Manchurian province.

North China

Since that time, Japan has had her eyes constantly fixed on North China, and the time was thought near at hand when the five Chinese provinces in that region—Hopei, Chahar, Suiyuan, Shantung, and Shansi—would be divorced from China and placed directly under Japanese control. As we reported in last week's issue of THE AMERICAN OBSERVER, the date for such a separation was fixed and it was declared that on November 20 the five provinces would break away from the central Chinese government at Nanking. But the day arrived and there was no separation. A second date, the 22nd, was fixed, but still nothing happened. On November 24, however, a part of Hopei province and a few counties of Chahar broke away and established a new state, although the size of this region was but a fraction of the original territory marked off for separation. Obviously, the larger plan went awry and the greater part of North China remained under the control of the Nanking government.

Exactly what happened to prevent Japan's carrying out her avowed purpose of extending her influence in China is not clear, as reports from the Far East are vague and often contradictory. It has been said that Kenji Doihara, ace intelligence officer of the Japanese army who was to have maneuvered the separation, had acted without the authority of his superior officers in Tokyo. Again, it was hinted that the emperor of Japan, who often interferes in time of crisis and thus thwarts the plans of government officials, had stepped in and called the broader plan off for the time being. At least half a dozen other explanations were offered.

Whatever the cause of the delay, few people who know anything about the Orient believe the hesitation to mark a change in Japanese policy, for they are practically unanimous in their conviction that before many months have elapsed, Japan will, either by actual invasion or by exerting diplomatic pressure, threats of invasion, or some other device, separate the whole of these five provinces, with their territory a third as large as the whole United States and their population of 95,000,000 people, from the Chinese government. Either the Japanese will set North China up as an "independent" nation, or

they will annex it to Manchoukuo. At any rate, North China will be under the thumb of Japan and will become a protectorate of Tokyo, just as the new state in Hopei will work closely with Manchoukuo and Japan.

Split in Tokyo

It is often difficult to understand events in the Orient. The confusion surrounding these latest developments is not the first case where Japan's intentions and policies have been clouded in mystery. It frequently happens that officials of the government in Tokyo declare that Japan will not take a certain course of action, when a few days later that very course is followed by the Japanese army or navy. Most people have taken such contradictions as a sign that the Japanese are a tricky lot whose word cannot always be relied upon. Such is not the case, however, for there has been a sharp division of opinion among high officials of the government as to the policy which should be followed in China. In other countries, the head of the government, either the premier, prime minister, or president, as the case may be, determines policies and speaks for the whole country. The Japanese system is somewhat different, for neither the premier nor the foreign minister is always able to know exactly what will happen. Often, military officials—the minister of war or the minister of the navy—disregard the wishes of other government officials and pursue the policies they think best for the country.

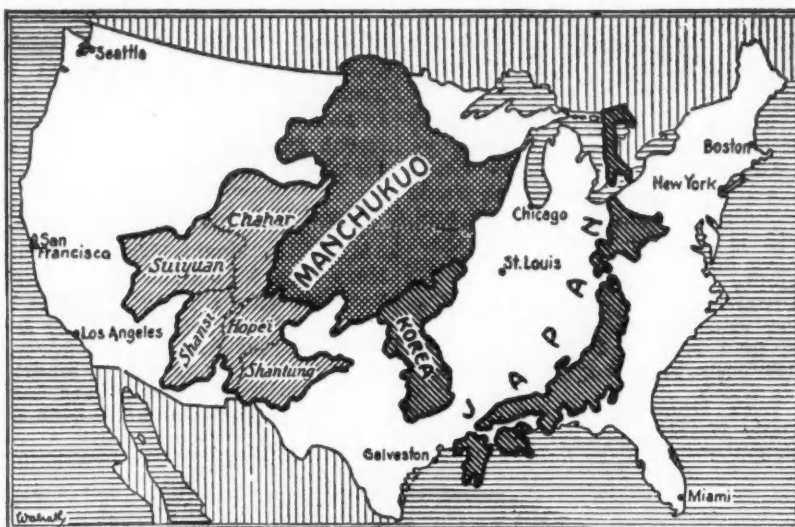
Under the Japanese system of government, such conflicts are entirely possible and frequently happen. For the last four or five years the military officials have done about as they pleased in dealing with China. They have had the upper hand, and the civilian officials of the government have been practically helpless to stop them. It is no secret that there is a serious rift between the foreign office—which corresponds to our Department of State—and the military officials. This situation, as explained by Dr. Harry Emerson Wildes in his excellent book on Japan, "Japan in Crisis" (Macmillan), results in the following:

Time and time again promises made to foreign diplomatic representatives by spokesmen for the Foreign Office, and confirmed by solemn speeches by impressive Diet members, have been broken by actions of the General Staff. Almost every important action in the campaign to take over Eastern Asia has been preceded by a denial from the diplomatic and parliamentary group that any such action would be taken, but the General Staff has paid no heed.

Such duality lies at the base, of course, of the prevalent Western opinion that the Japanese are sly, untrustworthy, and treacherous. The complete freedom granted by the Constitution to the army and navy ministers, permitting them to hold office despite the downfall of a cabinet and to upset a government by their resignation, makes the official assurance of a premier, a foreign minister, or any other civilian statesman wholly worthless. . . . By virtue of their constitutional powers they are financially independent of Diet control. . . . By their ability to call upon the powerful emotions engendered by patriotism they are free to take whatever aggressive action they desire.

Military and Civilian

A serious conflict between the foreign office and the war department of Japan was seen in the recent developments in North China. Foreign Minister Koki Hirota has led the group of civilian government officials who have been opposed to the North China venture. The minister of war, General Yoshiyuki Kawashima, represents the militarists who have been determined to separate the northern provinces from the rest of China. It is possible that in this one instance—about the only one in recent Japanese history—the civilian group won out. They may have taken their case to the emperor, to whom the military officials are responsible. The Japanese army is said to have been counting on using its forces which are located in Manchuria to assist in setting up the "independent" state in North China, but these forces could not be permitted



IF JAPAN TAKES NORTH CHINA
How the size of the Japanese empire will compare with that of the United States.

to cross the Great Wall from Manchuria into North China without a decree from the emperor, and the imperial order was not forthcoming.

It may be expected, nevertheless, that regardless of the political developments in Tokyo, the delay in gaining greater control over all North China will be only temporary. Sooner or later, Japan will take the step which she planned for last month. But why, it may be asked, does not China rise up and prevent the aggressions by Japan? The answer is that China is torn by internal political dissension. The Nanking government by no means speaks for the whole of China. Her authority over many of the provinces is at best only nominal. Moreover, the Communists have assumed control over many regions of China, particularly in the central part. Thus the government is constantly faced with the responsibility of holding together these disunited sections. Often expeditions against the Communists have to be made, thus making it difficult to concentrate military strength in a campaign against Japan. Finally, there is some question whether the official Nanking government really wants to stop the Japanese. Chiang Kai-shek, and other leaders, have been accused of pro-Japanese sympathy. Whether these charges are true in fact is uncertain, but it is the conviction of a large part of the thoughtful Chinese population that they have been betrayed by their official government.

America Concerned

The new tense situation which has been created in the Far East is of vital concern not only to China but to many of the western nations, including the United States. America, England, France, and other countries have financial and commercial stakes in North China; how large, no one knows. Considerable trade between the five provinces and these western powers is carried on. American oil companies, banks, steamship companies, tobacco corporations, and other industrial and financial concerns have branches in North China.

In the recent crisis, neither the United States nor Britain has taken drastic action to deter Japan. Great Britain is not in a po-

sition to do much except to lodge diplomatic protests because her naval strength, upon which she must naturally rely to protect her interests in Asia, has been concentrated elsewhere, largely in the Mediterranean because of the African war. The United States government has been watching the situation closely and has been keeping in touch with Britain. But it has not taken direct action.

It is no secret, however, that both governments are deeply concerned with these latest developments. Not only are they anxious to protect the economic interests of their citizens, but they view Japan's policies in Asia as a direct violation of treaties which they have signed with Japan. In particular, by the Nine Power Treaty they have agreed to respect the territorial integrity of China and to give all nations equal trade opportunities throughout China. If North China is separated from the rest of the country, China's territorial integrity will have been violated, just as it was when Manchuria was taken from her in 1931. In the Manchurian episode, the United States took a strong hand by enunciating the famous Stimson doctrine by which we said we would not recognize the legality of the new state of Manchoukuo. But neither this strong stand nor the attempts of the League of Nations to stop Japan had any effect, and she has carried her campaign on as though nothing had happened. There is no reason to believe that diplomatic protests will be any more successful now than they were four years ago.

In fact, Japan has told the rest of the world just where she stands on the matter of China. Last year, the Japanese foreign office issued a statement to the West which spoke of Japan's special position in East Asia and her mission in that region. "Japan considers that to keep peace and order in the Far East she must act single-handed and on her own responsibility. Japan considers that no other country except China is in a position to share that responsibility." In other words, according to this statement, Japan regards it as her own business what transactions the other nations of the world have with China.

But Japan has insisted to the western nations that her policy in China does not

violate treaty pledges. Since Manchoukuo is an "independent" nation, she says, established as a result of the people's desire to be freed from Chinese control, it cannot be said that Japan has interfered with Chinese territorial integrity. If the northern provinces are established as an "independent" nation, Japan will probably say that the movement was instigated by the inhabitants of those provinces who no longer wanted to be tied to Nanking.

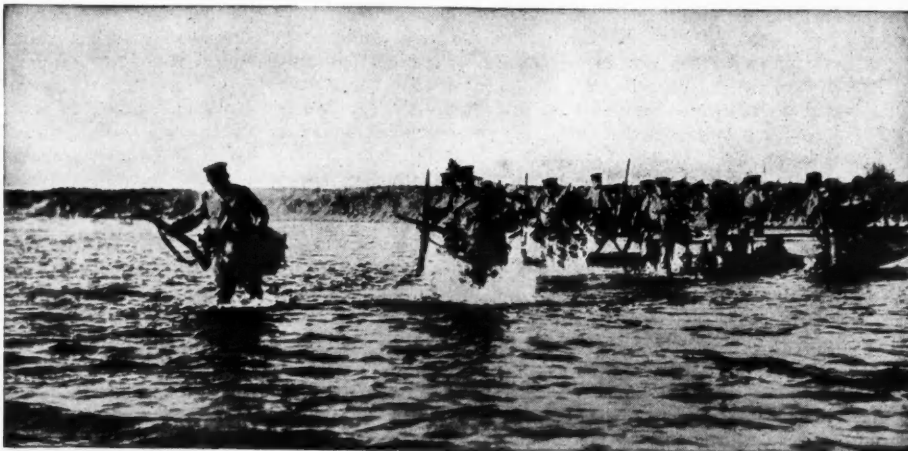
Insofar as conceding equal trade opportunities to all the world, Japan insists that there has been no violation on her part. And it may be hard to prove that the Japanese have nullified the principles of the open-door, equal-opportunity policy. According to Nathaniel Peffer, an outstanding authority on the Far East, in his "Must We Fight in Asia?" Japan's purposes may be realized in the following way:

Japan's Methods

In international practice, as well as in domestic corporate practice, it is always feasible to nullify the intent of a law while scrupulously abiding by its letter. Just so Japan can preserve the legalities while making the Open Door a fiction in actual practice. There will of course be some foreign trade in Manchoukuo and North China that is not Japanese, but it will be small in volume and negligible in proportion. The procedure (already followed in South Manchuria years ago) can be repeated in Manchoukuo and North China. No British, German, or American will be expelled and his enterprise closed. No Chinese, Manchu, or Mongolian will be forbidden to trade with Europeans or Americans. But . . . an English representative of a Liverpool firm sells a bill of goods to a Chinese merchant in Mukden. The goods are shipped in the customary routine. They arrive in Dairen. First there is an unaccountable delay in discharging them from the ship's hold. They are, for some reason never quite clear, delayed in passing through the customs. Then the customs find the invoices in error and special hearings are necessary. Thus two or three weeks are lost, and extra charges have to be paid. Finally the shipment is passed through the customs and is ready to be put on board a freight train for Mukden. Again for some unaccountable reason it fails to be loaded on the train, or perhaps, is put into a car dropped off in yards on some branch line. More weeks are lost. . . .

And so on. In this way, the open-door principles are violated in actual fact, for equal trade opportunities do not exist. But the letter of the law has probably been obeyed. "Everything will have been legally correct," writes Mr. Peffer, "and the British manufacturer will be out." Of course, it is not certain that Japan will follow devices of this kind in North China, but her past record in dealing with Chinese trade is not encouraging to the western powers with economic stakes in the East.

Whatever happens in the Orient in the near future, the basic problem confronting the American government is one of the most serious it has to face. Important decisions will have to be made sooner or later. It has been predicted on many occasions that if the United States attempts to halt Japan in her program of penetration into China, war may result because the Japanese appear determined to carry forward that policy, regardless of opposition from the outside. On the other hand, if our government adheres to its present policy of opposing by diplomacy Japanese policy and refusing to recognize as legal the political changes Japan is making in China, the result is likely to be failure to halt the Japanese. It is this clash of basic interests and policies that may one day lead to the great Pacific war, unless statesmen and diplomats work out a formula that will remove the present causes of friction.



JAPAN'S WELL-TRAINED ARMY MAKES HER INFLUENCE PARAMOUNT IN ASIA

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AROUND THE WORLD

Italy: There are students of international politics who believe that modern history can be written in oil. "A drop of oil is worth a drop of blood," said the great Clemenceau during the World War, and it is certainly a fact that the Allies were helped in defeating Germany by their larger oil supplies.

Oil is proving a decisive factor in the African war. A movement to have the League of Nations add it to the list of commodities forbidden to Italy has made Mussolini all but panicky. He is reported to have warned France that if Italy cannot get oil, the result will be war in Europe, although he did not make it clear how Italy could fight a European war without oil, if she cannot carry on even a minor campaign in Africa without it.

The League of Nations Sanctions Committee of 18 members was scheduled to meet on November 29 to place oil and coal on the embargo list. However, Mussolini appealed to Premier Laval of France and obtained a postponement of the meeting to an indefinite date. It is reported that Vittorio Cerruti, Italian ambassador to France, told Laval that Italy's oil reserves would last only a few weeks if her imports were cut off. This would mean that her motor trucks, tractors, tanks, and airplanes would be stranded on the hillsides of Ethiopia. "The menace is a terrible one," Cerruti is said to have declared.

Laval, who is anxious to favor Italy as much as possible, was able to plead with Augusto de Vasconcellos, Portuguese chairman of the League committee, that the meeting of the French Chamber of Deputies on November 28 would prevent his appearance at Geneva the next day. This was the official reason given for the postponement of the meeting. Laval hopes to delay matters and attempt in the meantime to work out some way to end the war.

How long League action with regard to oil can be delayed is a question. The nations cannot claim to be sincere in their effort to end the conflict by means of economic sanctions unless the products most necessary to Italy are denied her. The present list of embargoed articles hurts Italy but does not cripple her. But if coal, and above all, oil, are added to the list, her situation will immediately become desperate, provided, of course, that sources of supply are completely shut off.

Here the United States enters the picture. Oil is not included among the "implements of war" banned to Italy and Ethiopia under the neutrality act. President Roosevelt and Secretary Hull are doing all in their power to discourage the shipment of essential raw materials such as cotton, scrap iron, coal, and oil, to Italy, but do not interpret the neutrality law as giving them the power to do so directly. Congress will not meet for another month, and until that time the administration can only attempt to hold down a boom in Italo-American trade by issuing warnings and pleas to businessmen which, so far, have been ineffective. The value of American petroleum and products shipped to Italy in October 1935 was \$1,066,625 as against \$337,015 in October 1934. The administration continues its efforts by having Secretary Ickes, in his capacity as oil administrator, ask oil producers to "coöperate both with the spirit and the letter of the government's attempt to maintain neutrality," and by having the Shipping Board Bureau and the Merchant Fleet Corporation warn all steamship owners and operators who owe money to the



—Drawn for The American Observer
THE SOVIET UKRAINE

government that trade with Italy and Ethiopia is contrary to the policy of the administration. But such tactics cannot completely halt shipments to Italy.

Mussolini has become concerned over the Roosevelt administration's obvious wish to extend the American embargo list. Last week a spokesman for the Italian government in Rome declared that an oil embargo against Italy by the United States would be considered not only an unfriendly but a "hostile" act and would result in retaliatory measures.

* * *

France: Sessions of the Chamber of Deputies are always stormy affairs, and the one which opened a few days ago is expected to be no exception. If Premier Laval and his cabinet are able to weather the oncoming storm without losing their political scalps, it will be a feat of no mean proportions, because the issues confronting France are as acute as any that have arisen in recent years. Laval, a middle-of-the-roader, meets hostile forces on both sides of the Chamber. The radicals, on the left, think he has been too sympathetic toward Colonel de la Rocque's fascist organization, the Croix de Feu. The conservatives, on the right, likewise have many grievances against the premier. Only by the use of his greatest political skill will he be able to hold the necessary votes to remain in power.

The already delicate internal political situation of France was rendered more acute a few days ago when followers of de la Rocque fired on certain radical demonstrators in a small French town. The colonel has defended his supporters, saying that they had to defend themselves and intimating that if the government does not take action against "revolutionaries" the Croix de Feu will be forced to take matters into its own hands. This attitude has incensed the radical parties, organized into the Popular Front against fascism, which are demanding that the government take steps to curb de la Rocque and his followers. The growing antagonism between these two groups, plus the delicate financial situation of France which may at any time produce serious panic, have rendered Laval's task more difficult and his tenure more uncertain.

* * *

Germany: Ever since the war, attempts have been made to patch up the differences between France and Germany. The efforts of the late Aristide Briand and Gustav Stresemann gave the two countries a "breathing spell" which, unfortunately, proved to be short-lived, for it was not long before the old antagonisms and rivalries between the two countries broke out with a new fury. Since the advent of Hitler, few attempts have been made to smooth out the difficulties and it was generally known that Hitler regarded the French as Germany's greatest enemy.

A few days ago, however, the French ambassador in Berlin, André François-

Poncet, called on Chancellor Hitler to discuss methods of improving Franco-German relations. What the two men talked about during their two-hour session was not made clear, but the usual diplomatic announcement was made following the conference. "The conference," it was announced, "made in the spirit of good friendship, was an opportunity to establish good will between both governments."

It is said that Premier Laval would like to substitute an understanding with Germany for the alliance which France now has with Russia. He has not been friendly toward the Soviets and is not in sympathy with the movement, launched by Foreign Minister Barthou, to restore Franco-Soviet relations to their pre-war status. However, there are too many radicals in France who favor an alignment with Russia, and too many others who distrust Germany, to make Premier Laval's project seem practicable at the present time.

Most observers believe that if a Franco-German accord should ever develop, it would pave the way for a German-Polish war against Russia. Ever since the Nazis came into power, they have declared that Germany's course of empire lay eastward rather than westward. The rich Russian Ukraine and the Baltic states appeal to the Nazis and to the Poles as the most promising areas for expansion.

* * *

Great Britain: The London Naval Conference will open on December 6. The meeting of the five naval powers—Great Britain, United States, Japan, France, and Italy—has had little publicity because it has been looked upon from the outset as a futile gathering. Japan has not backed down from her demand for naval parity with the United States and England, and the British are preparing for a great building program, which in turn will result in an equal increase in the size of the American fleet. The emphasis, therefore, is on rearmament rather than on disarmament or on the limitation of armaments, and there is not much ground for discussion.

Thus it came as something of a surprise to learn that the United States is sending to London a strong delegation composed of Ambassador-at-Large Norman Davis, Undersecretary of State William Phillips, and Admiral William H. Standley, chief of operations of the United States navy. It would seem that this is a large delegation to be going to a conference which has so little hope of accomplishing anything. It is reported, however, that Japan is sending a delegation of 20 to the conference, and it is believed that the Japanese may be planning to raise other problems besides naval ones, with regard to her relations with the western world. The United States apparently suspects that the Nine Power Treaty, the basis of our relations with China and Japan, the treaty which we held Japan violated by her capture of Manchuria, and the treaty which Japan has hinted must be revised, will be brought up at the conference. If this is true it explains why the United States is sending a delegation competent to deal with any situation which may arise.

* * *

Philippines: A week after Manuel Quezon had been inaugurated, amid exciting fanfare, as

first president of the new Philippine commonwealth, it appeared that perhaps the new government would not be all that America had desired. For Señor Quezon seemingly intends to be the government.

With the American delegation which had attended the inauguration as representatives of this government far away in Hong Kong, President Quezon is tightening his hold upon the various governmental branches of the new commonwealth. He will personally direct its legislative policy; all organized opposition to him has been removed through party fusion; and numerous judiciary appointments, yet to be made, are entirely in his hands. He is reported to have stated



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MANUEL QUEZON

to visiting American newspapermen that "I am in office for six years and only God can get me out." The same report declares that the new Philippine president said these words in all that seriousness for which he is famed when affairs of his country are under consideration. What the official attitude of the United States will be, should a truly fascist tendency develop in the Philippines, will be interesting to follow.

* * *

Brazil: The government of President Getulio Vargas called all its forces into service last week to quell a sudden uprising against its authority. It was reported that four northern states had revolted under the leadership of certain noncommissioned army officers. President Vargas charged that the rebels were Communists. He quickly obtained authority of the Senate and Chamber to declare the whole of Brazil in a state of siege, and sent all available troops, planes, and warships against the revolutionists.

Meager accounts from Brazil indicate that the rebels are demanding an eight-hour day for workers, minimum wages, and vacations with pay. It is also said that a manifesto pledging the nationalization of banks, the expropriation of foreign vested interests, and a war against all foreign imperialism was being secretly circulated in Rio de Janeiro. It was not known how strong the revolutionists were or what chances of success they had.



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OFF TO THE NAVAL CONFERENCE
The American delegation. Left to right: William Phillips, undersecretary of state, Norman H. Davis, ambassador at large, and Admiral William H. Standley, chief of naval operations.



DISCUSS RELIEF FOR AMERICAN CITIES

Mayor LaGuardia, of New York, newly elected president of the United States Conference of Mayors, talks over the problem of relief with Federal Emergency Relief Administrator Harry L. Hopkins.

Business Improves

Several times since the beginning of the depression, business has taken spurts upward which led many to believe that permanent recovery was on the way. But each of these movements has been short-lived and after a few weeks, the country slumped back again. Since September of last year, however, the upward trend has been steady until business conditions today are better than they have been in four years. This conclusion was reached last week by three different agencies which make surveys of industrial conditions in the country; the American Federation of Labor, the Federal Reserve Board, and the National Industrial Conference Board.

According to the report of the Federal Reserve Board, industrial activity and employment during the first 10 months of this year reached a level halfway between the low point of the depression and the 1929 peak. The improvement has been accomplished by several things, according to this report: higher income for farmers and workers; expansion of the building industry and the industries which produce machinery and other capital or production goods; a steady growth of bank deposits; and an expansion of loans by banks for business purposes.

One of the most encouraging signs noted by all reports was the increase in building. For the first time since 1928, residential building has shown a "marked and sustained" increase. It has been repeatedly pointed out that until building, residential and otherwise, moved upward we could never get out of the depression, for the building industries, together with the production goods or durable goods industries have been the most depressed. Many businesses are now making replacements of machinery and equipment which they felt could not be made before but which are now safe because the chances of profits are better than they have been. The A. F. of L. believes that there is still a great demand for these durable goods, estimating the total at about \$85,000,000,000.

This optimism was not without a dark side, however. The Federation of Labor, for example, believes that we are on the verge of a great industrial boom which may have more disastrous results than the crash of 1929. It warned that "unless hours are shortened and production of our industries greatly exceeds previous levels, we shall have a standing army of unemployed, numbering in the millions, even when we reach the peak of the coming boom." It stated further that unless workers' wages increase more rapidly during this period of recovery than they have increased during similar periods in the past, "industry cannot be held at high production levels."

The Stock Market

The stock market has been going steadily forward for about eight months. Many people have expressed fear that prices of corporation stock may be going up too fast, that there will be a break after a while, and that this will have a bad effect upon business. These

people have been urging the government to discourage the stock market boom, which seems to be under way. The government could exert an influence on the stock market in two ways: The Federal Reserve Board could increase the interest rate at which banks borrow money. This would lead to an increase in the rate charged by the banks for money. It would be harder, then, for people wishing to speculate in the stock market to borrow the money with which to do it. A policy of this kind would be very effective at times when many people are buying stocks on borrowed money.

The government could also step into the picture through the Securities and Exchange Commission. This commission has the right to fix the amount of money which can be borrowed on stocks. If the commission should fix a rule, requiring a greater proportion of cash when people buy stock, it would discourage the buying, and this would hold prices down.

Marriner S. Eccles, governor of the Federal Reserve Board, has announced, however, that the government will do nothing at the present time. The reason is that investors are not buying stocks with borrowed money now to



JOHN L. LEWIS

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any considerable extent. When they buy stock, they are paying cash. The amount of money loaned on stock is not increasing.

This means that the stock market is in a much healthier state than if people were speculating on the market by buying on credit. When they are buying on credit; when they are borrowing a large part of the money which they put into the market, they may be forced to sell their stock as the price goes down. When, however, they are buying for investment, and are putting up the money as they buy, they are in a position to hold the stock. There is not so likely, then, to be waves of forced selling which causes the market to break sharply. This announcement of Federal Reserve Board Governor Eccles that the buying on the stock market is being financed largely by cash, has added to the

The Week in the

What the American People

confidence of the country in stock prices, and in business conditions generally.

Relief Goes On

Business indices may be shooting skyward, but every seventh person in the United States is still dependent upon public funds for all or part of his subsistence. The nation's relief burden of 18,000,000 persons refuses to decline as rapidly as had been hoped.

This was the chief subject of interest at the recent meeting of the United States Conference of Mayors in Washington. Fearing that the administration was planning to turn the relief problem back to states, counties, and cities after next July when the "four billions" will have been spent, the mayors of 100 cities, representing 37,000,000 people, came to Washington to urge continuation of federal relief. "Any idea that the federal relief program can stop abruptly on July 1 of next year is simply unthinkable and impossible," declared Mayor LaGuardia of New York, who was elected president of the conference for this year.

The mayors were reassured by President Roosevelt and by Federal Emergency Relief Administrator Hopkins that necessary federal relief would not be abandoned; whereupon they adjourned in an easier frame of mind. It is believed that Congress will be asked to appropriate \$2,000,000,000 for relief during the next fiscal year.

Lewis Resigns

When John L. Lewis, president of the United Mine Workers of America, resigned as vice-president of the American Federation of Labor last week, he brought to a head a dispute which has been raging between him and other A. F. of L. leaders for a number of months. At the recent annual convention of the Federation, Mr. Lewis bitterly criticized the way in which most A. F. of L. unions are organized. His opponents stood their ground, however, and the issue became so hot that blows were exchanged between Mr. Lewis and another delegate at the convention. The dispute did not end with the convention, for a few days ago the executive council of the A. F. of L. issued a report, sternly rebuking Mr. Lewis for his activities at the convention and for his criticisms of the Federation's leadership. Twenty-four hours later Mr. Lewis, in a short, abrupt message, resigned from the executive council.

The resignation of Mr. Lewis once again brings to the fore the highly disputed question of how labor unions should be organized. There are two possible methods of unionization. One is to organize workers according to the type of work they perform, regardless of the industry in which they work. This is what is known as a craft union; that is, all workers of a given craft are joined into a separate union. Under this plan, all carpenters belong to a union, all bricklayers to another, all truck drivers to another, and so on. It makes no difference, under this type of organization, whether carpenters, for example, are engaged in the steel industry, the automobile industry, the lumber industry, or any other industry. So long as they are carpenters they join the same union.

Most unions belonging to the A. F. of L. are craft unions, and the present leadership of the Federation believes strongly in this type of labor organization. It feels that each craft, acting individually, can fight its own battles with employers better than it could if all the crafts were thrown in together. Mr. Lewis, however, and those who believe as he does, are fighting for a different type of labor organization. They are urging workers to form into industrial unions instead of craft unions. An industrial union takes in all workers of a given industry, such as steel, for example, whether these workers are carpenters, bricklayers, or truckdrivers. Mr. Lewis feels that if all workers within each industry could bargain collectively with their employers, instead of the members of each craft bargaining separately, the workers as a whole could be

far more successful in obtaining good wages and proper working conditions. He says that the majority of workers do not belong to a special craft; they are unskilled. So there is no place for them in craft unions. That is why such a small percentage of the nation's workers are organized into unions.

The final outcome of this battle between craft and industrial unions cannot be foretold. At the recent A. F. of L. convention, about 18,000 of the delegates gave their approval to the craft type of union and about 11,000 to the industrial form of organization. The Federation, however, allows both craft and industrial unions to join it. But Mr. Lewis



HANDWRITING ON THE WALL—1935

—Brown in Akron (Ohio) Beacon Journal

and his supporters charge that the present leadership of the A. F. of L. is throwing its support behind craft unions and is trying to discourage industrial unions.

Utilities Revolt

Yesterday all holding companies in the public utilities field were required by the holding-company law which Congress passed shortly before its adjournment to register with the Securities and Exchange Commission, the government agency which has the responsibility of enforcing certain sections of the act. About a week ago an open revolt appeared to be brewing among the holding companies and one after another of the larger concerns announced their intention of refusing to register with the SEC.

Apparently encouraged by the recent decision of the Baltimore district court which held the holding company act unconstitutional on at least three important grounds (see THE AMERICAN OBSERVER, November 18), the United Gas Improvement Company, one of the largest utility holding companies in the country, announced that it would not conform to this feature of the law, at the same time challenging in a federal court at Philadelphia the constitutionality of the holding-company act. The following day, the Consolidated Gas Company and its subsidiaries fell in line with the program announced by the United Gas and declared they likewise would not comply with the law.

America's Neutrality

A serious issue has arisen within the few days over the neutrality policy which the Roosevelt administration is following in the dispute between Italy and Ethiopia. The administration has been accused of embarking upon a program which, in the long run, may have serious consequences and even involve us in war, should the present conflict spread from Africa to Europe. The recent attempt of Secretary of State Hull to halt the shipments of oil, cotton, copper, trucks, tractor scrap iron, and scrap steel to Italy and Ethiopia have caused much criticism on the ground that we are even anticipating the

United States

Doing, Saying, and Thinking

actions applied by the League of Nations its effort to force Italy to give up her war. The position of the Roosevelt administration appears to be that if action is not taken to prevent the expansion of American exports of these and other essential war products, the United States will, as a matter of fact, be assisting Italy because we will be stepping in to supply the products which she cannot get from other nations on account of the embargo. It is true, of course, that the League has not placed oil and coal and a number of other products essential to Italy's African campaign on the sanctions list, but the Sanctions Committee is considering the extension of the

tors, soared once more and slowly disappeared into the heavens beyond the Golden Gate. Thus began the eventful flight of Pan American's new *China Clipper*—a flight which, in the congratulatory words of President Roosevelt, could not but cause everyone to "thrill to the wonder of it all."

Straw Votes

Will Franklin D. Roosevelt be reelected to the presidency in 1936? Perhaps no question is so much discussed today among those interested in the current political situation. Not content with waiting for time to tell its own story, several agencies have been conducting polls of the nation's opinion on this matter. That of the *Literary Digest* will, when completed, reflect the attitude of some 10,000,000 voters. At the present time the *Digest* has tabulated the results of 40,000 ballots. The question asked in the ballot was: "Do you NOW approve the acts and policies of the Roosevelt New Deal to date?" The results indicated: 18,711 in favor of the New Deal; 21,342 against the New Deal.

But while the New Deal is by this index seen to be losing favor with the American electorate, a different story is told by the poll taken by the American Institute of Public Opinion. One hundred thousand ballots are sent to a representative number of American citizens, including those on relief. The question asked on these ballots is: "For which candidate would you vote TODAY? Republican? Roosevelt? Socialist? Third Party?" The results of the latest poll indicate that 53 out of every 100 voters would choose Roosevelt as president. But even more interesting than this popular vote is its distribution according to the electoral college. Here President Roosevelt would have a majority in 35 states with a total electoral vote of 379, while the Republican party would get but 152 votes.

Next Year's Budget

One problem is uppermost in the President's mind these days as he spends his annual Thanksgiving holiday at Warm Springs, Georgia; and that is the budget. As soon as Congress convenes, he will have to present the budget for the year beginning July 1, 1936, and ending June 30, 1937. He knows the entire country will await that estimate of the government's expenditures and the government's income. He realizes that government spending may be one of the outstanding issues of the presidential campaign next year, for the Republicans have attacked the New Deal extravagance more repeatedly and more vigorously than any single policy.

With the President at Warm Springs are Director of the Budget Daniel Bell, whose job



NEW MOON

—Cargill in Connellsville (Pa.) Daily Courier



BUT LOOK OUT OF YOUR WINDOW, SAM!

—Hungerford in Flint (Mich.) Journal



A BIRD IN THE HAND

—Carlisle in Wichita Eagle

embargo list. In connection with the expanding American trade with Italy, the following figures, released by the United States Department of Commerce, are interesting:

American exports to Italy of	Oct., 1934	Oct., 1935
Manufactured cotton	\$3,740,755	\$3,423,987
Petroleum and products	337,015	1,066,625
Refined copper	188,237	534,094
Iron and steel scrap	179,458	472,455
Automobiles parts and accessories	44,476	14,407
Aircraft, engines and parts	4,081	*200,919

*Shipped prior to President's neutrality proclamation of October 5.

It is the purpose of the administration to prevent abnormal expansion of exports in these essential war materials, although under the terms of the neutrality act it cannot legally force exporters to stop their shipments, since that resolution placed an embargo on "implements of war."

The danger of this policy, as seen by its opponents, is that it involves the United States on one side of the conflict between the League of Nations and Italy. We are helping the League in her economic war on Italy and thus thus abandoned complete neutrality. Should the African war spread and become a war between Italy and England, we would have so acted as to make it impossible to do anything except take sides with the English. But, as pointed out before, if we do not take action to limit exports to Italy, we will be helping her to break the sanctions. It will be seen, therefore, that it is extremely difficult to maintain a policy of strict neutrality.

The China Clipper

Just before stepping into his great silvery ship, at Alameda, California, Captain Edwin Musick leaned down and took from the hand of Postmaster General James A. Farley a letter from President Roosevelt which was to be delivered to President Quezon of the Philippine commonwealth, more than 4,000 miles away. Then, inside, with his crew of 18, at their various posts, Captain Musick received an order relayed from the postmaster general, which started the ship on its voyage down Oakland Bay. Skimming, ever closer, over the water for a mile, the huge ship suddenly soared, then dipped under the cables of the San Francisco-Oakland Bay Bridge only 300 feet above the water, as a thrilling gesture to the cheers of 20,000 specta-

is to compile all the figures which go into the budget, and Chairman Buchanan of the Appropriations Committee of the House of Representatives. Together they will attempt to find ways by which the gap between expenditures and income may be narrowed. For weeks, it has been known that the attempt will be made, in the budget, to lop \$1,000,000,000 from next year's deficit. The regular departments of the government have been canvassed with a view to finding means of economizing. The saving here, however, will be relatively small. The greatest saving is expected to be in those federal agencies which have been set up to minister relief to the needy. If the present upswing in business continues, the administration will be materially assisted, for it will feel less responsibility to provide relief as employment by private industry increases. At the same time, the business recovery will provide additional revenue.

In Colonel Knox's Paper

Colonel Frank Knox, Chicago newspaper publisher and a possible candidate for the Republican presidential nomination next year, recently came out strongly against government competition with, and regulation of, business. Despite his own beliefs, however, Colonel Knox is apparently a firm believer in freedom of speech and discussion. Only recently, the following editorial opinion, expressed by Howard Vincent O'Brien, columnist, appeared in Colonel Knox's newspaper, the *Chicago Daily News*:

It seems to me as futile to dispute the widespread and increasing acceptance of "socialistic" government as to dispute the presence of oxygen in the air. A considerable part of human life is socialized and has been for a long time. What is more, socialization—or collectivism, if you prefer that word—is everywhere on the increase . . .

The question, plainly, is not whether we shall be socialized, but how. The Republicans swear mightily that, when they are returned to the driver's seat, the socialistic venturings of the New

Deal will end. Vain hope! They believe that they will take the government out of business, but they will not; they will put it deeper in. They will have to. Regardless of what party is in power, the control, even the absorption, of private business has become increasingly the concern of government. . . . When private business menaces the community, the community steps in to control and perhaps operate it. That has always been, and I for one, see no reason for believing that the future will vary from the past.

Housing Plans

A group of industrialists and economists has drawn up plans for a 10-year housing program which is being seriously considered by President Roosevelt. If this program should be carried into effect, 7,500,000 new homes, ranging in price from \$2,500 to \$6,000, would be constructed. Easy payments and reasonable interest rates would be arranged, so that the families of low incomes could afford to purchase these homes. This vast housing project, calling for 750,000 new homes each year, would be financed largely by private banking agencies; moreover, private builders would carry on the actual work. The government would enter the picture only in those cases where families have yearly earnings of less than \$1,000.

It is estimated that 4,000,000 men could be taken out of the ranks of the unemployed if this housing program should go into effect. Not only would the mass of people with low incomes have an opportunity to obtain decent living quarters, but the stimulation which such a huge program would give to the nation's industrial life might lead us a long way toward recovery. Such is the belief of the Committee for Economic Recovery, the organization of industrialists which framed this program.

AAA Taxes

On December 9 the Supreme Court will hear arguments in the Hoosac mills case, brought before that body to test the constitutionality of the Agricultural Adjustment Administration. The New Deal will bring forward its best legal talent and will attempt to convince the justices that the AAA is fully constitutional. Opponents of the Roosevelt administration will seek to prove otherwise.

Conservatives opposed to the AAA see a ray of hope in the court decision handed down on November 25, granting an injunction to prevent the AAA from collecting processing taxes from eight southern rice millers. The court ordered that the taxes be paid into a special depository until it could decide whether the courts had the power to grant or deny permanent injunctions. While this case affected only eight rice millers it is expected to bring a flood of injunction suits which will cripple the collection of processing taxes until the constitutionality of the AAA is finally determined.

The Agricultural Adjustment Administration has announced that the decision will have no effect on the payment of AAA benefits to farmers, "since such funds are advanced by the Treasury out of the general funds of the Treasury." The AAA declared that the court decision had no bearing on the constitutionality of the act itself.



THE LARGEST PWA HOUSING PROJECT

Workmen clearing 12 city blocks in Brooklyn, New York, to make way for the \$12,783,000 PWA low-rent housing development which will provide homes for 1,625 families.

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Historical Backgrounds

By David S. Muzzey and Paul D. Miller

American Tariff Policy Past and Present

AS AN aftermath of the War of 1812, the American people were confronted by an issue which has been almost constantly with them since the beginning of our history; an issue which is very much to the fore today. We refer to the tariff. There is scarcely ever a political campaign without the tariff as an issue, and when the parties fail to find better campaign material, they often dig up the tariff, dust it off, and present it to the voters, if possible in a new form. It will probably always be so, for although it may take new forms, the tariff will remain one of our truly large public problems.



DAVID S. MUZZEY

The period immediately following the War of 1812 marked the beginning of the first era of protection through tariffs in our national history. Tariffs there had been before, it is true; but the tariff as a means of protecting American industries was not publicly recognized before that time. The tariff was primarily for the purpose of raising revenue to meet the expenses of the federal government. When the war with England broke out, all the existing duties on imports were doubled for a period extending to one year after the restoration of peace. But because of the small volume of trade during the war, little revenue was raised by the high rates and the country emerged from the conflict heavily in debt and in need of additional funds.

The need for revenue was not the only reason for the enactment of the tariff bill of 1816, which established fairly high rates on a number of products. Following the war, England flooded the American market with goods, some of them at prices below cost in order, as one member of the British parliament explained, "to stifle in the cradle those rising manufactures in the United States which the war had forced into existence, contrary to the natural course of things."

But it was hard to convince Americans that the rise of industries in this country was "contrary to the natural course of things." The tariff of 1816 was enacted for the purpose of protecting those industries which had risen to meet the war needs.

It is an interesting commentary on the politics of the tariff that in those days, as throughout our history, there was considerable logrolling and lobbying in order to obtain duties on special products. During the debates in 1816, for example, Daniel Webster, who came from Massachusetts where the shipping and commercial interests were predominant and would have been seriously injured by high tariff rates, opposed the measure. He declared with much feeling that it would force the young men of the nation "to close their eyes to heaven and earth, and open them in the dust and smoke of unwholesome factories." On the other hand, John C. Calhoun favored the bill, feeling that if manufactures were stimulated by a protective tariff, the South would benefit, for the market for cotton would be expanded.

When, in 1828, the "tariff of abominations" was enacted, these two great leaders were on the opposite side of the fence. By that time, manufacturing had replaced shipping and commerce as the predominant interest of the North, and Webster headed the New England delegation in favoring the tariff. Calhoun, on the other hand, had apparently discovered in the meantime that the South had not reaped the benefits from the tariff that he had anticipated a dozen years earlier, and opposed the measure. As a matter of fact, the South discovered that the protective tariff had resulted in curtailing its sale of cotton to England and at the

same time increased the cost of nearly everything the South had to buy.

Even at this early date, the country was beginning to take sides on the tariff issue. An examination of the votes on the various tariff bills passed between the War of 1812 and the Civil War reveals a fairly clear sectional line-up. The North and West voted for the tariff bills (except when they were designed to lower the import duties) and the South voted almost solidly against such measures. The sharp conflict of interest between the North and South on this issue was clearly recognized by a number of statesmen of the time. As expressed in 1830 by Senator McDuffie of South Carolina, "it has so happened that two great interests have sprung up, standing directly opposed to each other." On the one side, he said, were the manufacturers who needed protection against competition from foreign products; and on the other, the producers of those commodities, such as cotton, which, according to McDuffie, could be sold advantageously "only in exchange for the foreign manufactures which come into competition with those of the northern and middle states. . . . These interests then stand diametrically and irreconcilably opposed to each other. The interest, the pecuniary interest, of the northern manufacturer is directly promoted by every increase of the taxes imposed on southern commerce; and it is unnecessary to add that the interest of the southern planter is promoted by every diminution of the taxes imposed on the productions of his industry."

That the South has been held back economically as a result of the protectionism which has dominated our tariff policy since 1816, few impartial students and observers would deny. "For over a century," writes Peter Molyneux, a careful student of the subject, "more than half of the people of the cotton states have depended for a living, either directly or indirectly, on the production of export commodities, chiefly cotton, and have sold their products at a world price level, while residing in a high-tariff country in which a relatively high domestic price level has been artificially maintained."

The issue of the tariff today involves not only the South, but the entire nation. Elsewhere in this issue of THE AMERICAN OBSERVER we explain the broader problem of foreign trade and the controversy which has arisen over the recent trade pact with Canada. It is not at all improbable that the American people will soon have to decide whether they want to "go it alone" economically or take the leadership in reviving foreign trade.



SARA DELANO ROOSEVELT

From a portrait by J. Campbell Phillips.



THE U. S. S. R.'S EIGHTEENTH YEAR

Huge pictures of Lenin and Stalin were displayed in Moscow early last month to celebrate the anniversary of the Russian Revolution.

Among the New Books

U.S.S.R.—The Beginnings

"The Russian Revolution," by William Henry Chamberlin. (New York: Macmillan, 2 Vols. \$10.)

TWO things are outstanding in this book: first, the enormous amount of documentary material, carefully selected and, for the most part, well digested, which went into its making; secondly, Mr. Chamberlin's detachment. His approach is as coldly scientific as that of a surgeon writing the report of an operation. He does not attempt to place blame; nor does he reward merit.

In the body politic of Imperial Russia there were certain inevitable weaknesses. When subjected to strains of a given intensity, a breakdown of the old society logically resulted. The Bolsheviks then came into power, not because they were starry-eyed idealists and the White Russians sinister oppressors of the masses, but largely because the Bolsheviks had made the most thorough and accurate study of what the Russian masses in 1917 wanted, and were willing to give it to them, even at a temporary sacrifice of the Marxian principles upon which the revolution had been based.

The Russian peasant wanted land. The Russian worker wanted bread. Both groups wanted peace. So Lenin and Trotsky swept Russia with the cry of "Peace! Land! Bread!" It is easy to speculate that had Kerensky or some of his liberal associates remained in power, these three objectives could have been attained more quickly by orderly democratic methods than through the great class war and foreign invasion which lasted almost four years and reduced the nation to chaos. But Mr. Chamberlin does not allow himself the unscientific luxury of speculation. He records the pulse and respiration of his patient, measures the degree of pathological weakness in each organ, charts the effect of the medication, and proves that under these circumstances, the end could not have been otherwise.

The President's Mother

"Gracious Lady: The Life of Sara Delano Roosevelt," by Rita Halle Kleeman. (New York: D. Appleton-Century. \$3.50.)

A BIOGRAPHY of the President's mother, especially an excellent one like Mrs. Kleeman's, is valuable not only because it tells the life of a truly outstanding woman but because it gives considerable information about the chief executive of the United States. Sara Delano Roosevelt's 80 years have been eventful, and across the pages of her life's story

necessarily pass some of the world's greatest characters of the nineteenth and twentieth centuries. Because of her close association with Mrs. Roosevelt, the author of "Gracious Lady" has been able to give many generally unknown details of the youth and early training of Franklin D. Roosevelt as well as details of his later life.

Religious Leaders

"Men of Zeal," by William Warren Sweet. (New York: Abingdon Press. \$3.)

THE early history of Methodism in the United States has, of course, been written many times before. But in this book the dates, scope, and growth of the movement have been subordinated to a detailed character study of the men who led it. Devereaux Jarrett, who left the Church of England because of the appeal of this faith; Francis Asbury, who carried its creed from the cities into the country and the frontier towns; and a dozen other leaders are clearly depicted.

The effect of the American Revolution on Methodism, as on the Church of England and other Protestant churches, was to strengthen the American denominational organization, knitting it into a unity somewhat at the expense of previous bonds to parent organizations overseas. The effect of such issues on the early leaders, as well as their attitude toward such questions as slavery, forms a fascinating background for these earnest religious leaders who move through the book's 200 pages.

A Page of Roman History

"Festival at Meron," by Harry Sackler. (New York: Covici, Friede. \$2.50.)

IT IS an overstatement for the publishers to cite this book as "a magnificent novel of courage in the tradition of Quo Vadis and Ben Hur." Yet it has much merit, of style, of background, and a technical organization. It is a fragment torn from the history of the Jewish people in the second century A. D. which saw the end of their activities as a national unit. The siege of Bethar to which the Emperor Hadrian was forced to send his most trusted lieutenant Severus, is depicted with clarity, and the action is almost brutal in its swiftness. Another high spot in the book is the scene between Simeon and the philosopher, Emperor Marcus Aurelius, in a quiet and secluded corner of the magnificent garden of Tiberius.

Sackler does not quite succeed in making the later Roman Empire live and breathe with realism as did Robert Graves in "I, Claudius" and in its more recent sequel. But his style throws over the scene a special enchantment, a rich beauty which, though sometimes it makes you doubt that such a dream world could ever have been, at the same time makes you regret that it could not be.

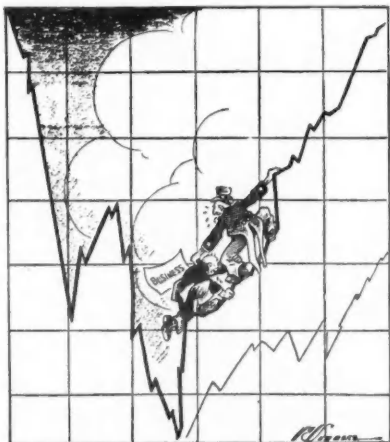


Does the Roosevelt record up to now justify the President's reelection? How does it compare with that of former President Hoover? Three opposing views of the New Deal's results.

THESE three imaginary students will meet each week on this page to talk things over. The same characters will continue from week to week. We believe that readers of THE AMERICAN OBSERVER will find it interesting to follow these discussions week by week and thus to become acquainted with the three characters. Needless to say, the views expressed on this page are not to be taken as the opinions of the editors of THE AMERICAN OBSERVER.

Mary: I have just read two reports on business conditions, both of which confirm something which I have believed all along. They indicate that the country is getting along very well under the Roosevelt administration. The Federal Reserve report shows that business has improved during the first 10 months of 1935. These 10 months are the most promising we have seen since the depression began. We have, in fact, already risen about halfway from the low point of the depression to the place where we were in 1929. When we remember the bad state of things which prevailed when President Roosevelt took office, the bank failures, the unemployment, the fear and despair on every hand, and then when we look about today and see the improvement in business and the hopefulness which you find everywhere, is there not every reason to support the President?

John: If we could just be sure that this happy state of things would continue; but how can we be sure when the government is spending so much money? It is going more heavily into debt all the time. An individual cannot succeed if he spends more than he makes, and neither can a nation. If our government keeps on going into debt,



CLIMBING MOUNT STATISTIC

—Summers in Cleveland News

people will lose confidence after a while in its ability to pay itself out. They will lose confidence in the dollar, the value of money will fall because its value depends on confidence in the government, prices will go skyrocketing, and the whole country will face ruin. That is why I think we should throw the Roosevelt administration out next year and put the Republicans in.

Mary: I know that such gloomy predictions as you have made are very common among Republicans, but I see no basis for them. As a matter of fact, the President is going to cut expenses as soon as he can. The government must feed the unemployed just so long as they are hungry and in want, but as business improves the number of unemployed will be smaller, less relief will be necessary, and, at the same time, the income of the government will go up, for prosperous people will have more income on which to pay taxes. There is every reason to believe that expenses will be less next year, the income will be higher, the deficit will be smaller and, in a year or two, it will disappear. We are getting out of the difficulty; we are not getting in.

John: That is not what the leading businessmen of the country think. They believe that the very best they can expect is that they will have to pay heavy taxes in order

to pay off the debts which are now accumulating. These tax burdens will place such a heavy handicap upon business that we cannot have any real recovery.

Mary: I know that wealthy men are squealing a lot about taxes, especially income taxes, but they don't have to pay income taxes if they have no incomes. That is just the fix they were in during the Hoover administration. Now, under Roosevelt, they have incomes and they ought to be willing to pay taxes upon them.

John: Well, if everything is so rosy for business, how do you account for the fact that businessmen are almost unanimously opposed to the Roosevelt administration?

Mary: I account for it because some of them are stupid and some are selfish. The selfish are afraid that the New Deal will force them to pay higher wages and to pay their share of taxes, and they are afraid the President will insist upon laws which will curb high monopoly prices. They don't want to be regulated, and so they are turning against an administration which will probably regulate them in the interests of all the people.

John: It is easy to say things like that, Mary, but it isn't very sensible to assume that businessmen are stupid or selfish. They are no more selfish than other classes of the people, and they are a lot less stupid. The fact that they are able to run big business establishments indicates that they are intelligent and resourceful. Surely their opinions should count for more than the opinions of people who have not succeeded and who have never shown that they have any ability.

Mary: All this hero worship of big businessmen went over very well before 1929, but we learned then how little they knew about running the industries of the country. They had been in complete charge of both industry and government, and yet they made a mess of things. They had no more idea of what was going to happen than any day laborer had. The successful businessman is shrewd. I will concede that. At best he has a fair idea about running his own business. He can tell something about when to buy and when to sell the things he has to sell, though even at this he often falls down badly. But when it comes to working out the best policies for the whole country; for business, for the farmer, and for labor, his ideas are no better than those of the man you might pick up by chance on the street. The things which big businessmen say about the government are just as silly as the things the radical soap-box orator says.

John: I do not agree with you there, and I do not think that most of the people in the country do. Now that businessmen are coming out strongly against the New Deal, the whole country is turning in the same direction. Have you, by chance, seen the last *Literary Digest* poll, which shows that the majority of the people are now opposed to the New Deal?

Mary: Yes, and I've also seen the poll of the Institute of Public Opinion, which shows that they aren't. Personally I think that the majority of the people will not follow the advice of the captains of industry. If the rich business barons advise them to work against the New Deal, they will be stronger than ever for Roosevelt.

Charles: I'm not so sure of that, Mary. They might, at first, but we must remember that the wealthy businessmen own and control nearly all the newspapers. They can buy space on the radio. They can plaster the whole country with advertising of one kind or another. They can hire speakers and halls. They can control every channel by which facts and opinions are scattered among the people. You have read, haven't you, of the campaign of 1896, when nearly

all the businessmen came to the support of McKinley against Bryan? Most historians believe that Bryan would have been chosen if the election had been held in the summer of 1896, but by fall the powers of wealth had carried on such an effective "campaign of education," that the people did their bidding. The same thing may happen again in 1936.

Mary: I don't think so. The wealthy interests opposed to the administration may have the newspapers, but President Roosevelt can go on the radio whenever he pleases, and all the voters can hear him, so his side will get to the people.

John: Both of you are assuming, of course, that the business interests are selfish and unconcerned about the public good, but Charles mentioned the campaign of 1896. I'd like to ask him if he doesn't think the businessmen did a pretty good thing in securing the election of McKinley over Bryan.

Charles: No, I don't, but I am not going into that question because there is another point I want to raise. I agree with Mary that President Roosevelt is more deserving of support than are the business interests which are opposing him, but I am not so optimistic as she is about the way things are going in his administration. I wonder, Mary, if you read what the American Federation of Labor said about business and employment.

Mary: Yes, and the Federation of Labor report indicated, among other things, that "business has regained a greater measure of confidence than at any other time since the depression began."

Charles: Yes, and the A. F. of L. report said something else. It said that profits are rising rapidly and that wages are not rising so fast. It says that the average worker's producing power in the factories has increased 25 per cent since 1929, but that neither the number of workers employed nor wages has gone up so fast. That means that a larger proportion of the national income is going into the hands of employers. It means that the masses of the people are not increasing their buying power as fast as production is going up. If that tendency is continued, the time will come pretty soon when there will be a surplus of goods above what the people can buy, then the factories will close again and we will have another crash. My point is that, though the Roosevelt administration is doing some good things, it isn't going far enough. It isn't actually raising the purchasing power of the people so that they can buy what they produce, and until that is done, recovery can be nothing more than a temporary spurt. I'm not taking sides with the business interests, you understand, or with the Republicans, or with those whose criticisms of the New Deal we hear most about, but I am saying that the present business situation is not such that the administration can afford to be complacent. It isn't really curing the causes of the depression. It isn't doing anything very important.

Mary: Well, I think it's taking steps in that direction. The AAA is giving the farmers buying power. The social security program will put money into the hands of the poor. The Wagner bill will help workers to get higher wages, and so will the Guffey coal plan. Do you think, Charles, that the administration could possibly do more in such a short time?

John: And all these measures which you have mentioned, Mary, will increase taxes. The AAA will increase the cost of living for everyone. These so-called reform measures will put such a burden upon industry that it cannot recover.

Charles: But neither of you has answered my contention that we won't have permanent and safe recovery until something more is done than either the Roosevelt administration or the Republicans promise to do.

Mary: I think I could answer it, Charles, if I had more time, but I must go to class. Perhaps we can get together later and talk this thing over.



ARTISTIC LICENSE

—From the Oswego Palladium-Times

THOUGHTS AND SMILES

It may be true that money talks, but a lot of us don't seem to be on its list of speaking acquaintances.
—Washington Post

A California scientist says that freezing a person will kill all disease germs he may be harboring. It is also understood that decapitation will permanently cure dandruff.
—Grand Rapids Press

Everything in nature is engaged in writing its own history.
—Emerson

Peace is that quiet state which people prefer until they see flags waving and hear the bands playing.
—Hartford Times

Why didn't somebody think to pass a processing tax on road hogs?
—Jackson County Journal

Perhaps when the battle is over and the turmoil and the shouting have subsided, those who are so uncompromisingly devoted to the principles of Lincoln and Jefferson will have a little time to find out what they are.
—Boston Herald

America certainly will be drawn into war if we continue the present policy of trading with warring nations.
—Admiral William S. Sims

An Englishman again observes that Americans don't know how to employ their leisure. That's just the trouble. Nobody will employ it.
—Detroit Free Press

SOMETHING TO THINK ABOUT

1. Why is it said that the people of a nation in the long run cannot sell to foreigners more than they buy from them?
2. How were the American people able to sell more than they bought during the years preceding the depression?
3. What action do you think the United States government should take in view of Japan's recent activities in North China?
4. How might the Japanese violate the spirit of the open-door policy in North China while observing the letter of the law?
5. Does John, Charles, or Mary (page 7) most nearly express your views? Tell why.
6. Describe the issue which has arisen over the attitude the United States government is adopting toward the League's sanctions against Italy.
7. Explain the issue in the ranks of organized labor which caused the resignation of John L. Lewis.

REFERENCES: (a) Unless China Submits—? *Asia*, July, 1935, pp. 389-393. (b) Will Japan Move on China? *Current History*, November, 1935, pp. 222-224. (c) Way Out for China. *Asia*, October, 1935, pp. 580-586. (d) Made in U. S. A. *Headline Book Number Two*, published by the Foreign Policy Association, New York, price 35 cents.

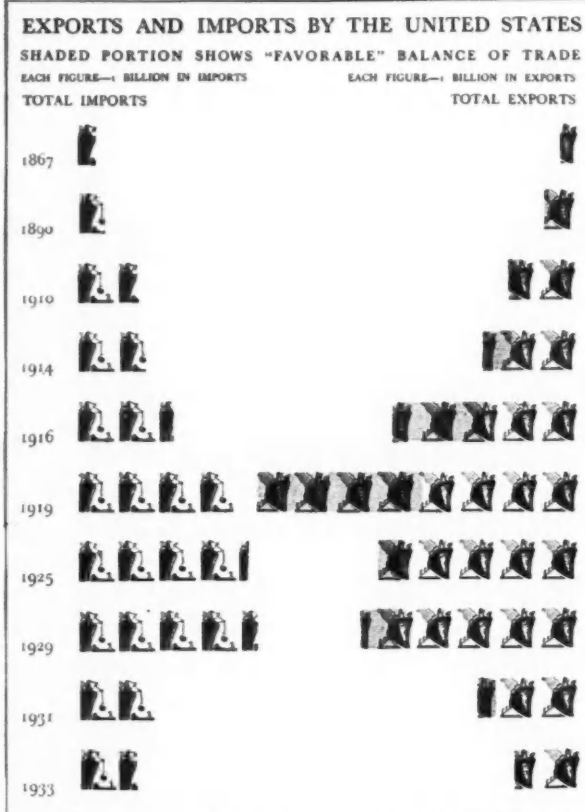
PRONUNCIATIONS: André François-Poncet (ahn'dray frahn-swah pone-say), Aristide Briand (a-ree-steed' bree-ahn'), Gustav Stresemann (goo'stof stray'se-mahn'), Vittorio Cerruti (veet-to'ree-o chay'roo-tee), Augusto de Vasconcellos (ow-goo'sto day' vas-con-say'los), Hopei (ho'pay), Jehol (ray'ho), Shansi (shahn'see), Shantung (shahn'doong), Peiping (bay'ping), Suiyuan (soi'ywahn), Chahar (chah'hahr), Koki Hirota (ko'kee hee-ro'ta), Yoshiyuki Kawashima (yo-shee-yoo'kee kah-wah-shee'mah).

Canadian Tariff Agreement Raises Foreign Trade Issue

(Concluded from page 1, column 1)

thing during most of our history. Our big export trade has been kept up during recent years by loans from Americans to foreigners. People in other countries have

foreigners to buy more from us, more of our cotton and wheat and automobiles and machinery, we must arrange to buy more goods from foreign nations.



From an illustration in "Made in U. S. A." Courtesy Foreign Policy Association, New York.

been unable to buy more from us than they were selling to us. They have had no means of buying except on an even exchange basis. They could not send us gold because no country has a large gold supply. If any country would, over a course of years, send out gold to pay for goods, its gold supply would soon be exhausted. The Europeans and other foreigners, then, were unable to buy more from us than they sold to us, but we kept up our preponderant export trade by lending the foreigners money with which to buy our goods. Since about 1900, Americans have sold to foreigners \$22,000,000,000 worth of goods more than they have bought from abroad and, at the present time, European private investors and governments owe American private investors and the government \$22,000,000,000. In other words, we have been carrying on a big export trade by lending the foreigners the money with which to buy our goods.

We cannot continue these loans, and they are not being continued. It is now well known that most of the money which has been lent to foreigners cannot and will not be paid back. During the World War the American government made loans amounting to over \$11,000,000,000 to foreign nations. This money was used to buy American goods, but the \$11,000,000,000 will not be repaid. Everyone now recognizes that fact. So in effect we have been giving the goods away rather than selling them. Loans will not be made any longer on that basis.

How Can Foreigners Pay?

How, then, can foreigners pay us for our goods? They can buy as much from us as we buy from them. That will be an equal exchange. We will be exchanging certain kinds of goods to foreigners for certain kinds of goods which they ship to us. But how can we expect them to buy more from us than we buy from them, since we are no longer lending them the money with which to make the purchases? The answer is, we cannot expect it. That is why there is not a very good prospect that foreign trade will revive in a big way. If we expect

work. It would, of course, have the further effect of cheapening the price of silk and cotton goods in America, so that all of our people could buy these things more cheaply and thus it would lower the cost of living.

What we have just said indicates how complex the problem of foreign trade and tariffs is. If we let down the tariff walls, thus stimulating foreign trade, we will probably increase our export trade as well as our import trade. We will help some industries and hurt others. Every tariff does that, and every reduction of a tariff does it. It is simply a matter of deciding whether the encouragement of foreign trade helps or hurts the greatest number of people. Most students of the question agree that the greatest number of people would be helped if tariffs were quite low and trade among nations were relatively free; almost as it is among different parts of our own country. But if that policy were adopted, certain industries, which have been built up by tariffs and the cutting off of foreign competition, would be ruined, and the government might have to step in and make provision for the workers thrown out of employment. If, on the other hand, we maintain our tariffs and do not allow foreign goods to enter in great quantities, we will render it impossible for foreigners to buy cotton and wheat and other things, and, in that case, the condition of these exporting industries will be so bad that the government will have to keep on doing as it is doing; that is, it will have to pay out money to the distressed industries, as it is doing to the wheat and cotton farmers, and it will have to help these people cut down their production.

It appears, then, that the problem of trade and tariffs is going to be a very difficult one to handle. There is no easy way out of the situation we are in. It can be seen, also, from the analysis we have made, that the problem of handling our foreign trade so as to help the greatest number of people will be a more difficult one in the future than it has been in the past.

Secretary Hull is trying to build up foreign trade in such a way as to help as

many people as possible, and to hurt as few. He realizes that we cannot sell to foreigners without buying from them, so he is trying to build up our import and export trade at the same time. That is the purpose of his reciprocity treaties. He is willing to break down some of our tariff barriers so as to allow particular articles, which have not been coming into the United States, to come in, but he is allowing the importation of classes of goods which will compete as little as possible with American industries. In return for these concessions, he is getting foreign countries to break down the barriers which are preventing the purchase, by their people, of particular American products which are badly in need of a foreign market. Let us see how his plan works and what some of the problems connected with it are, by examining his latest agreement, that with Canada.

We find, upon examination, that this treaty makes it easier for a good many American industries to sell their products to Canadians. About 180 separate products named in the treaty are admitted into Canada at lower rates than they have been paying. Among the products which will be helped in this way are fresh vegetables, such as tomatoes and a number of other things. This will help farmers in New York, New England, and other states near the Canadian border, where the raising of vegetables is an important industry. These vegetables may now more easily be sold to Canadians. Additional products which will be helped are machinery, tractors, electrical equipment, manufacturers of iron and steel, and manufacturers of wood and paper.

Of course, the United States had to do something for the Canadians in order to get these favors for American businesses wishing to sell their products to Canada. The treaty lowers the tariff on a large number of Canadian products and, in the case of other products, which Canadians wish to export to the United States, it is provided that the present tariff will not be raised. Many Canadian products are now coming in free of duty and it is specified in the case of some of these products that the United States will not impose any tariff so long as the treaty stands.

Give and Take

Here are some of the Canadian products which will now be allowed to come in at the lower rates and which may be expected, therefore, to come in greater abundance: cattle, including calves and dairy cows, cream, lumber and timber of Douglas fir or western hemlock, cheese, hay, apples, horses, leather, and certain kinds of fish and feeds.

As soon as this treaty was announced there was a storm of protest from certain American industrial interests. Cattle raisers complained that they would be ruined by the treaty. They said that cattle would be imported into the United States in great numbers and that this would cut cattle prices. In reply to the cattle growers it is pointed out that while the tariff on the cattle coming from Canada is lowered, the number of cattle which may be imported into the United States at the lower rates is limited. This number may not in any year exceed three-fourths of one per cent of the number of cattle annually slaughtered in this country. There is also a limit set on the amount of cream and seed potatoes and calves which may be shipped into the United States at the lower rates.

Not only the cattle raisers and the milk and cream producers, but some of the lumber interests are complaining bitterly against the Canadian agreement. The manager of the National Lumber Manufacturers Association says that the

forest products industries and their employees "have been sacrificed for promised benefits to other industries or other interests regarded as more 'deserving.'"

The issue which has been raised over the Canadian tariff change is not at all political in nature. The treaty, of course, was negotiated by the Roosevelt administration but it is supported almost equally by Democrats and Republicans. Associations of manufacturers, which are usually Republican, have endorsed it. It is highly praised by most prominent industrial leaders. On the other hand, it is condemned by Senator McNary of Oregon, a Republican, and former Senator Dill of Washington, a Democrat, both of whom insist it will injure the lumber interests of the north-western states.

Probable Effects

The complexity of this problem is seen when we go a little closer into the question of the effects on different groups or industries. We have just said that some of the cattle raisers think they will be hurt because Canadian cattle raisers can ship cattle into the United States and compete with American cattle men, thus cutting the price of cattle. But upon investigation one finds that the cattle imported from Canada will probably be sold to farmers or cattle raisers in Iowa, Nebraska, and other corn-growing states. These stock men will feed the cattle and then sell them. They, that is, the stock men in the corn belt, will probably make more money as a result of being able to buy their cattle for feeding at a cheaper price. Furthermore, if the importation of Canadian cattle has any effect at all on cattle prices, it will lower the price of beef and that will be a great advantage to all American families. As a result of the treaty, it would appear, therefore, that Canadians can obtain fresh vegetables and fruits, refrigerators, and nearly all kinds of machinery, cheaper, because they can import these things to advantage from the United States. The American people may get lumber, beef, and certain other things, at a cheaper price, thus cutting the cost of living here. The manufacturers of American machinery will probably be able to employ more men than they have been employing and this will enable the employed men to buy more and will thus stimulate industry generally. On the other hand, machinery manufacturers and vegetable growers of Canada may suffer reduced profits, and the same thing may happen to certain classes of cattle raisers and lumbermen in the United States.

Secretary of State Hull is going on with his reciprocity program. He hopes that the treaty just concluded with Canada will double our trade with that country, which bought \$900,000,000 worth of American goods in 1929, and only about \$300,000,000 worth in 1934.



ONE OF OUR QUAIN IDEAS ABOUT FOREIGN TRADE

Fitzpatrick in St. Louis Post-Dispatch